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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter

International Settlement Rates

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IB Docket No. 96-261

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To: The Commission

REPLY COMMENTS OF THE MINISTRY OF TOURISM, POSTS, AND TELECOMMUNICATIONS OF THE REPUBLIC OF INDONESIA

The Ministry of Tourism, Posts and Telecommunications of the Republic of Indonesia hereby submits the following reply comments to the above captioned proceeding on the FCC's Notice of Proposed Rulemaking (IB Docket No. 96-261) dated December 19, 1996 in which the Commission proposed a list of "benchmarked" settlement rates that telecommunications carriers in foreign countries, including Indonesia, should adopt in conducting their relations with the US telecommunications carriers.

As the official government body on telecommunications matters in Indonesia, we are highly concerned of the FCC's approach which in our view to a certain extent is "unilateral" in nature by proposing foreign countries to adopt mandatory settlement rates benchmarks as governed by the FCC. While the proposal is mainly directed to bind US carriers, it will indirectly binds foreign carriers as well, and as such, in our view, is beyond FCC's jurisdiction. The policy is not in the spirit of the ITR (International Telecommunication Regulation) of the ITU (Melbourne-1988). If implemented, the policy would infringe the sovereignty of other nations. As in other international relations, each government has its own set of rules and regulations, including policies to determine telecommunications matters.

As regards to cost-based accounting rates, while we support in principle the efforts of the telecommunications industries to adopt cost-based accounting rates with respect to achieving efficiencies in telecommunications services provision, we likewise urge that such approach be conducted in a gradual and progressive manner. In our view, the mechanism for such process should be conducted through guidance from a proper multilateral forum such as the ITU, and to

be agreed bilaterally between the relevant parties, not unilaterally determined and imposed by any singular party as is the case with the subject FCC NPRM.

On the subject of costs, we are also of the opinion that telecommunications costs vary highly from country to country, in particular between the developing and the developed countries as the required investments for telecommunications infrastructures and facilities will depend highly on the required time, technology and applications. Developed countries such as the US have long invested in their telecommunications facilities that their market have sufficiently matured and the resulting investments have reached the anticipated break-even points much earlier than those in the developing countries. Therefore, in such environments, telecommunications costs can be considered as "incremental costs" whereas the same conditions could not be applicable in developing countries with a developing telecommunications industries, such as Indonesia. The FCC also fails to consider other factors which could have significantly influenced the resulting cost levels, especially the domestic/national telecommunications portion. In Indonesia, for example, in addition to the government regulated domestic interconnection charges, USO (Universal Service Obligations), which the Indonesian Government mandates for the development of telecommunications infrastructure, has not been taken into account in FCC's cost determinations.

We are highly critical of the FCC's categorization of countries into groupings according to their GNPs. The resulting groupings create a significantly diverse spread of costs variations even within the groupings themselves. Being a bilateral matter, accounting rate negotiations should initially be based on a country by country (country specific) basis, while other relevant factors influencing costs such as teledensity, geographical nature, purchasing power parity, etc., should also be taken into account.

In view of the above reasons, we therefore urge the following:

1. The FCC not to adopt its proposed NPRM on the matter of international settlements as it conflicts with currently accepted international common practices; should, however, the FCC choose to continue and adopt its proposed subject NPRM, its contents, such as the resulting benchmarks in the NPRM, should only be used as guidelines for US carriers as their initial offered-rates to negotiate with their corresponding relations, subject to bilateral agreements between the parties involved.
2. The ITU shall be the proper forum for the telecommunications industries to formulate and adopt mechanism for achieving cost-based accounting rates with respect to achieving efficiencies in telecommunications services provisions; such mechanism should also be implemented in a gradual and progressive manner so as not to severely impact the parties concerned.

The Government of the Republic of Indonesia hereby declares its rights to maintain the existing mechanism to set up accounting rates between two countries as provided in the ITR and other ITU Recommendations.

Your attention to the above matter would be highly appreciated.

Respectfully yours,



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